LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6703 | **NOTE PREPARED:** Dec 21, 2010
BILL NUMBER: SB 130 | **BILL AMENDED:**

SUBJECT: Media Production Expenditure Tax Credit.

FIRST AUTHOR: Sen. Randolph | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: For purposes of the Media Production Expenditure Tax Credit, this bill decreases (from $100,000 to $50,000) the amount of qualified production expenditures that must be made on a feature length film or a television series, program, or feature before a taxpayer may qualify for the credit. It increases the credit percentage from 15%: (1) to 40%, in the case of qualified production expenditures paid to an individual or entity located in an economically distressed municipality or county; or (2) to 35%, in the case of other qualified production expenditures. The bill also provides that the Media Production Expenditure Tax Credit expires January 1, 2014 (rather than January 1, 2012, under current law).

Effective Date: January 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR)*: The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the changes to the Media Production Expenditure Tax Credit in this bill. The DOR's existing level of resources should be sufficient.

Indiana Economic Development Corporation (IEDC): This bill could potentially expand the pool of entities that are able to qualify for the Media Production Expenditure Tax Credit. If the changes to the bill increase tax credit applications, the IEDC could potentially incur additional administrative expenses.

Explanation of State Revenues: *Summary* - This bill will decrease revenue to the state General Fund beginning in FY 2013 due to the extension of the Media Production Expenditure Tax Credit. The bill extends the tax credit by two years by changing the current expiration date from December 31, 2011, to December 31, 2013, allowing the Indiana Economic Development Corporation (IEDC) to award up to $2.5 M annually in new tax credits for two additional years beginning in tax year 2012.

The bill also increases the credit percentage for projects with expenditures of less than $6 M beginning in tax year 2012. This bill would allow 40% of expenditures to qualify for the tax credit if the project is located in an economically distressed area, and 35% of expenditures for other projects. Current statute limits projects with expenditures of less than $6 M to be eligible for a tax credit equal to 15% of expenditures. Although this change should not directly impact state revenue because of the annual cap of $2.5 M, increasing the credit percentage will affect how many taxpayers may receive tax credit awards. In addition, the bill also decreases the amount of qualified production expenditures (from $100,000 to $50,0000) that must be made before a taxpayer may qualify for the credit beginning in tax year 2012.

State income tax return data indicates that 376 individuals claimed about $90,000 in Media Production Expenditure Tax Credits in tax year 2008, and no tax credits were claimed by corporate taxpayers. Tax year 2008 was the first tax year that this tax credit was available.

Background Information - The Media Production Expenditure Tax Credit is for qualified media production expenditures and is equal to 15% of qualified expenditures if the expenditure total is less than $6 M, and up to 15% of qualified expenditures as determined by the IEDC if the expenditure total is $6 M or more. Tax credits may not exceed $2.5 M in a fiscal year. The tax credit is refundable, and will sunset December 31, 2011. The credit may be claimed against individual or corporate AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax liabilities. Revenue from the AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

Information Sources: OFMA Income Tax Databases.

Fiscal Analyst: Jessica Harmon, 317-232-9854.